

2 – LA STRUTTURA ORGANIZZATIVA DI UN’AZIENDA DI COSTRUZIONE NAVALE

2.5 – Esempio di Piano industriale:

***“Introduzione al Business Plan 2023-2027 di
Fincantieri”***



INTRODUCTION TO THE 2023-2027 BUSINESS PLAN

15 December 2022

- ▶ Key Guidelines
- ▶ Market Trends
- ▶ Strategic Pillars
- ▶ 2025 - 2027 Targets
- ▶ Main Takeaways

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Key Guidelines

- Focus on high added-value shipbuilding business with increasing expansion of competences towards the Digital and Net Zero Ship
- Further strengthening the Italian and foreign shipyards through the review and digitalization of production processes with productivity and efficiency set to increase
- Attention to cost governance and financial discipline
- Confirming the role as sustainable player able to create value for all its stakeholders
- Set of actions encompassing strategic projects to be carried out over the plan horizon with focus on human capital, enabling technologies and supply chain

Positive market fundamentals across sectors, offering a window of further business opportunities

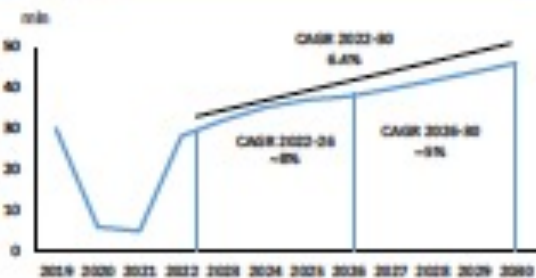
	Shipbuilding		Offshore & Specialized Vessels	Equipment, Systems & Services
Market trends	Cruise <ul style="list-style-type: none"> • COVID-19 affected Cruise operations and financials • Full resumption of activities expected by 2023 • 2022 - 2030 expected CAGR +6% 	Naval <ul style="list-style-type: none"> • Increase in defence budgets for accessible markets • Focus on foreign markets with large programs under development 	<ul style="list-style-type: none"> • Wind: total capacity up to 271 GW in 2030H • Oil & Gas: opportunities from the recovery of capex in offshore O&G and E&P 	<ul style="list-style-type: none"> • High potential business: <ul style="list-style-type: none"> – Accommodation: OEM and re-fitting, countercyclical markets – Electronics: digital & cybersecurity solutions demand – Mechatronics: onshore energy transition • Infrastructure: de-risking and partnering
Main drivers	<ul style="list-style-type: none"> • Passengers growth • Green transition will spur new wave of capex by cruise operators • Disposal of older vessels 	<ul style="list-style-type: none"> • Naval fleet renewals • Global geopolitical context 	<ul style="list-style-type: none"> • Green transition vs renewable energies • Special purpose vessels for infrastructure and maritime activities 	<ul style="list-style-type: none"> • Shipbuilding ongoing programs and after sales services • Fleet ageing and development of new technologies • known captive markets

Cruise: passenger rate to grow 6% annually until 2030, with new ships needed from 2023 - 2024

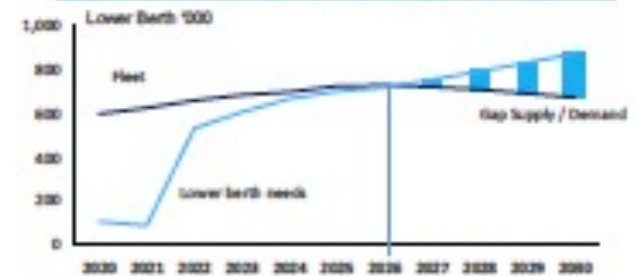
Cruise market

- 2022 with a substantial resumption in cruise activities: CLIA⁽¹⁾ expects around 28 million passengers for the year. Future estimates:
 - 38 mln passengers by 2026 (CAGR 2022-26: +8%)
 - 46 mln passengers by 2030 (CAGR 2026-30: +5%), in line with the pre Covid decade⁽²⁾
- With regard to the global fleet and taking into account the deliveries of vessels in order book and potential decommissioning, a gap between supply and demand is expected starting from 2026, foreseeing a resumption of order intake from 2023
- As of today, resumption of orders has already been recorded for the luxury niche segment, with newcomer operators, for medium to small vessels
- Business scenario as well as economic and geopolitical outlook will be influenced by :
 - level of technological maturity to address emission reduction requirements
 - financial support to shipowners by Export Credit Agencies

Passengers



Evolution of the lower berth supply and demand⁽³⁾



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1. Cruise Lines International Association
2. CLIA Report 2021, CAGR 2008-2019 +5%, Fincantieri analysis based on CLIA data
3. Fincantieri analysis

Naval: foreign accessible markets opportunities for € 20 bn in 2023 - 2027

Global defence budget

- Global defence budget in 2022 at \$ 2.08 tn⁽¹⁾, confirming the growth trend started in 2014 (+1.6% annually)
- Higher defence budgets (CAGR 2023-27 at +1.8%) spinned by the current geopolitical scenario and Nato guidelines
- Accordingly, global defence budget allocated to the Navy in 2023-2027 is set to grow, driven by Western European (+3.3%) and Asia Pacific (+4.2%) countries; a significant increase in demand for frigates, corvettes and submarines is likely

Accessible markets

- Fincantieri foreign accessible market⁽²⁾ in 2023-27 is worth ca € 20 bn
- Along with the strengthening of consolidated programs (e.g. Fremm and Corvettes), further window of opportunities may come from the Middle East and Asian demand as well as other European and North American countries
- Ongoing programs for the renewal, upgrading and expansion of the Italian and US fleet

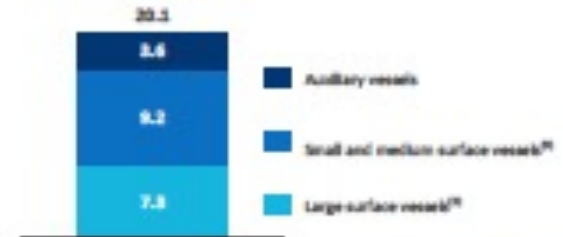
Navy procurement budget

CAGR 2023-27⁽³⁾



Programs 2023-2027

€ mln



1. Global Defence Budget (Jane's, October 2022). Data in real terms (adjusted for inflation)

2. Foreign accessible market: New naval vessels (without refueling ice breakers, auxiliary vessels) with conventional propulsion systems for not fully autonomous countries. Does not include programs for intransitable countries (e.g. Russia, China), already awarded programs, programs for replenishers, carriers and submarines, units below 4000 tons (except aircraft carriers), large surface vessels: destroyer, frigate; medium and small surface vessels: patroler, corvette

3. Large surface vessels: destroyer, frigate; medium and small surface vessels: patroler, corvette

Offshore & Specialized Vessels – expansion in offshore wind with significant attention to renewable energies

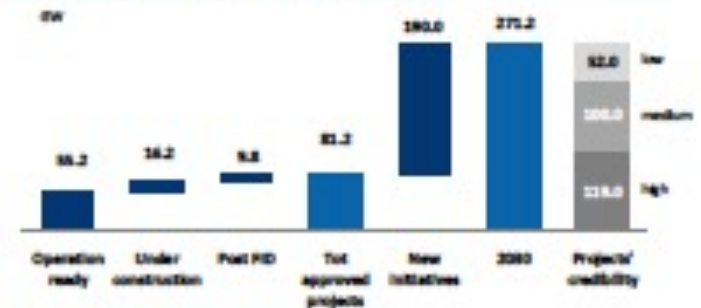
Wind offshore

- Offshore wind farms: total installed capacity expected to rise fivefold (from 55.2 GW to ~ 271 GW) by 2030⁽¹⁾, spurring strong demand for specialized vessels such as CSOVs, SOVs and cable layers⁽²⁾. Current CSOV and SOV fleet includes 30 vessels. By 2029 over 150 vessels are deemed to be ordered in 2023-27⁽³⁾

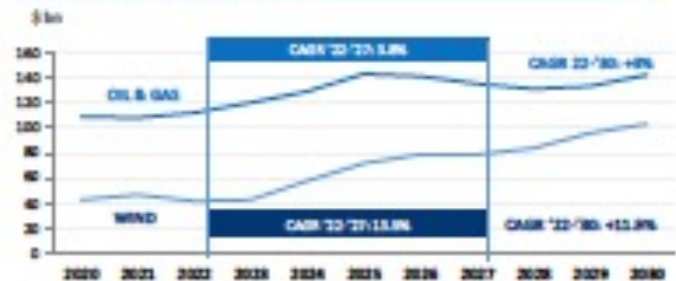
Oil & Gas

- Current oil and gas prices are leading to a temporary revamp of offshore capex, at ~ \$ 134 bn per year in 2023-27 (CAGR 2022-27: +3.8%)⁽⁴⁾
- Such investments ask for a technologically upgraded fleet, higher employment rates as well as further opportunities for newbuilding and refitting

Offshore wind: total capacity by 2030



Oil & Gas vs Wind CapEx



1. Special Energy
 2. Offshore, Global Market Overview Q1 2023
 3. CSOV Construction Service Operations Vessels SOV Service Operation Vessels
 4. Clarkson, September 2022 - Offshore Wind 2022

The Strategic Pillars & Actions



FOCUS ON CORE BUSINESS

- Review and digitalization of the Group yards
- Higher competitiveness in specialized vessels segment seizing opportunities in the fast-moving wind offshore industry
- De-risking and partnering of the Infrastructure business
- Accommodation upswing supporting captive market and expansion in the non-captive one
- Underpinning suppliers' network



LIFE-CYCLE MANAGEMENT

- Strengthening the role as digital design authority and complex system integrator, including automation, data management and Artificial Intelligence



SYSTEM INTEGRATION

- Reinforcing Orizzonte Sistemi Navali know-how to enhance combat systems integration



FINANCIAL DISCIPLINE

- Interfunctional and interdivisional approach, spreading procurement best practices
- Financial discipline, assigning specific and cross functional responsibilities to monitor cost and standardize processes



INDUSTRIAL SUSTAINABILITY

- Enabling new alternative fuels and propulsion technologies
- A clear sustainability strategy aimed at
 - fostering the Human Capital within an inclusive and international environment
 - offering innovative solutions to clients to reach their Net-Zero targets
 - enhancing top-notch standards throughout the supply chain

Cross-fertilization of expertise, top-notch competences and best-practices throughout the core business, accelerated by green and digital transition



- Defining clear targets to reach net-zero emissions by 2050, including the first net-zero (Scope 3) cruise ship, carbon free operations (Scope 1 & 2) and R&D investments
- Roadmap for Net-Zero ships:
 - Technological improvements to cut energy consumption, including both propulsion and hotel-load
 - New fuels and innovative propulsion technologies such as fuel cells and batteries
 - Ship operations in line with net-zero targets with more frequent bunkering and lower cruising speed
- Implementing process digitalization and new solutions to generate higher efficiencies in operations, engineering and procurement
- Increasing digital integration to turn into a Digital Design Authority with Artificial Intelligence and Data Analytics competences
- Evolving from EPC⁽¹⁾ to Life Cycle Management (EPC with services) to enhance product portfolio distinctiveness
- Push on advanced analytics developing digital applications and data platform

1. EPC: Engineering, Procurement and Construction

What will a vessel look like in 2030 - 2040 - 2050

Sensor & data analytics

All vessel equipment will be monitored, optimized & maintained through sensor data collection & analysis



Navigation

Navigation will become fully autonomous & directly connected to the rest of the fleet



Onboard & ship-to-shore connectivity

All vessels will eventually be connected to a network sending real time data to shipowner offices, ports & equipment suppliers



Green automated technologies

Green technologies – SCR, ALS¹ etc – will be automated and/or remotely controlled



Autonomous operations

Vessels will become fully autonomous in all their operations, including berthing, loading & discharging



Propulsion & critical systems

Many vessels will change propulsion systems, which will be remotely controlled (before they become fully autonomous)



Block chain

Continuous financial transactions handled through blockchain technology, same other documentation sharing



Digital platforms

Ship managers, shipowners, banks and OEMs can monitor the performance of the vessel through a common platform

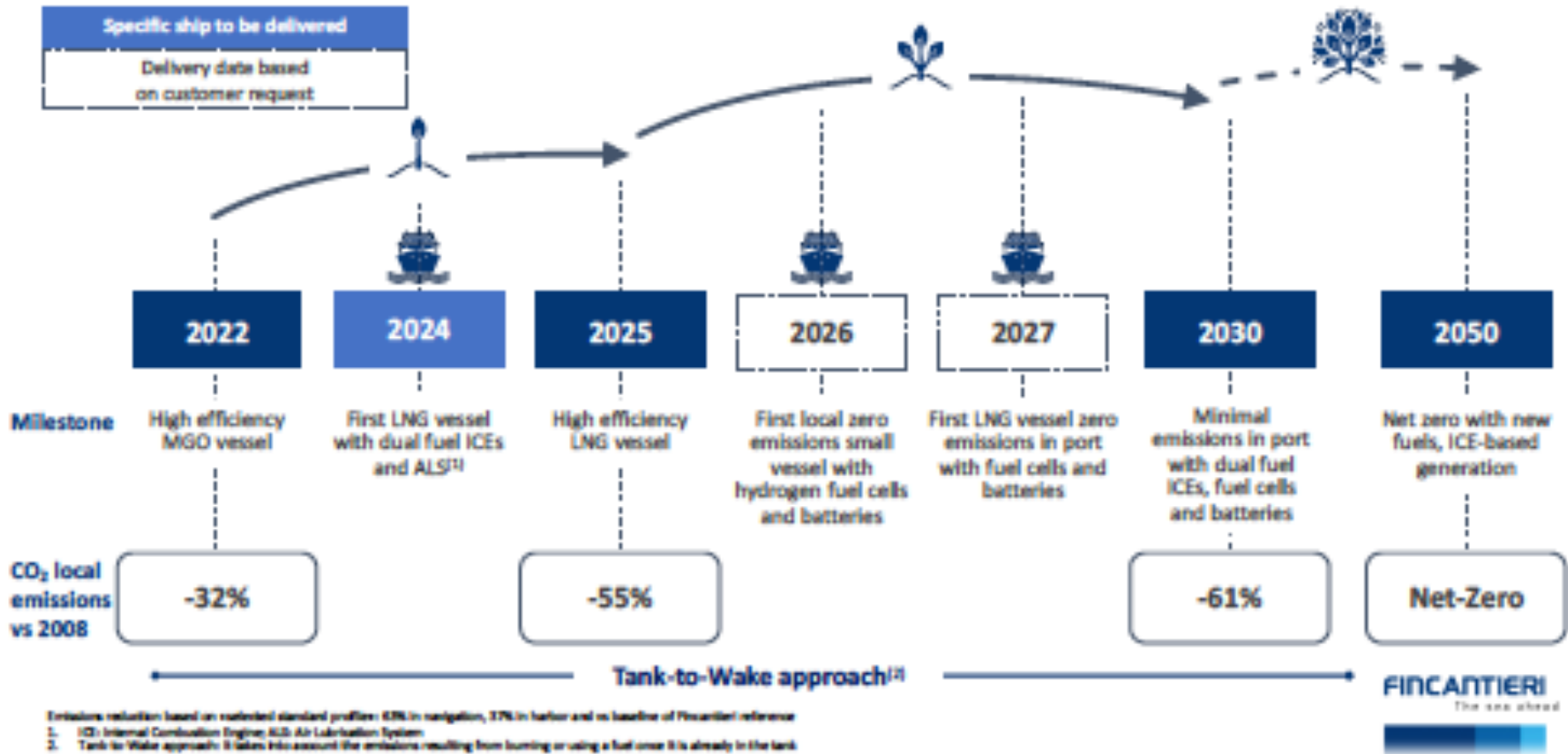


Legend: Most vessels will have the specific technology by:



1. SCR: Selective Catalytic Reducers; ALS: Air Lubrication System

Roadmap to Net-Zero



2025 - 2027 Targets

Robust growth in the core business, driven by naval and offshore as well as consolidation of cruise. Back to profitability at historical levels, despite inflation and deleveraging

Group targets	2025	2027	
REVENUES	€ 8.8 bn	€ 9.8 bn	<ul style="list-style-type: none"> Business growth reaching almost € 10 bn in 2027, mainly led by naval and offshore
EBITDA	~ 7%	~ 8%	<ul style="list-style-type: none"> Higher margins thanks to ongoing transformation initiatives, increased contribution from the offshore segment and de-risking and consolidation of the infrastructure business
NFP/ EBITDA	4.5-5.5x	2.5-3.5x	<ul style="list-style-type: none"> NFP evolution reflects business dynamics, while ensuring deleveraging

Net profit starting from 2025

NFP: Posizione Finanziaria Netta

EBITDA: Earning Before Interest, Taxes, Amortization and Depreciation
(Margine Operativo Lordo)

Main takeaways

- Fully committed in further strengthening our industrial competitive positioning and business distinctiveness, thanks to recognized leadership in green and digital ship
- Cross fertilization of first-class expertise across the core business, to bloom competences, create further synergies and become a frontrunner in the new paradigm of the international shipbuilding industry
- Entrepreneurial approach to seize further opportunities driven by green innovation, digital solutions and energy transition
- Relentless pursuit of profitability and financial discipline
- 2025 expected results: Revenues € 8.8 bn, EBITDA margin -7% and NFP/EBITDA between 4.5x and 5.5x. Net Profit from 2025
2027 expected results: Revenues € 9.8 bn, EBITDA margin -8% and NFP/EBITDA between 2.5x and 3.5x
- Business Plan to be presented at FY 2022 results